

Keynote remarks by
Tony T. Brown, Director

Community Development Financial
Institutions Fund (CDFI)

to the

National American Indian Housing
Council's

Native American Credit Union
Conference

March 5, 2003

Washington, DC

CDFI
fund



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Thank Jane, for that kind introduction.

I applaud NAIHC's efforts to provide you the building blocks to create needed credit unions to serve your tribes. This effort compliments a number of our efforts at the Fund specifically focused on Native American, Alaskan Native and Native Hawaiian communities. I will describe these initiatives in a moment.

Let me share with you the role the CDFI Fund has played and the strategic direction we will take to help improve the economies of our Native American Lands.

I believe you heard earlier from Anthony LaCreta, Director of Credit Union Development of NCUA. Unlike the National Credit Union Administration, the CDFI Fund is not a regulator. I like to refer to us as a Determinator. Determined to see low-income communities thrive. Determined to foster the growth and capacity of CDFIs to provide basic financial services in our nation's most distressed and underserved communities.

Credit unions are viable strategies in "Empowering Economic Development and Housing through Investments in tribally-owned institutions." I commend you all for coming today and showing great interest in how to start credit unions.

I've been invited to give a speech, but instead I would like to make this a sales call.

As a former banker, I remember the days when we had a monthly quota of calls to make to prospects and customers to sell the bank products and bring in new business.

I consider my visit before you today as a sales call. We need to eliminate the barriers to capital access in Indian country and the CDFI Fund is a resource for you.

At the end of my speech, oops, pitch, I will ask you to complete an "Information Request Form." My sales call is to get you to pledge to "apply for funding!"

First, you may be asking, why do I want to do business with Treasury? Government grants come with too many requirements for reporting.

Yes, you're right. But our mission is why it's important for us to partner with you.

The mission of the CDFI Fund is to expand the capacity of financial institutions to provide credit, capital and financial services in economically distressed rural and urban communities. Put simply, the CDFI Fund invests in institutions that in turn provide capital and financial services to underserved people and communities.

The organizations we support through our financial and technical assistance awards are able to lend in ways that are more flexible or innovative than regulated financial institutions. For example, through our CDFI Program, awards can take the form of technical assistance grants, financial assistance grants, loans, equity investments, or share certificates.

We are committed to building the strength and capacity of this CDFI financial network that will in turn improve the economic conditions of the markets they serve.

If I were to give a speech on economic empowerment, I would outline the issue by highlighting the Native American Lending Study.

The Native American Lending Study was a broad qualitative review accomplished by convening 13 regional and two national workshops to examine the lack of access to capital and financial services on Indian Lands and Hawaiian Home Lands.

The study identified barriers to accessing debt capital and equity investments in Native American, Alaskan Native and Native Hawaiian communities and offered recommendations to address tribal legal system infrastructure and overcoming economic, financial, educational and cultural barriers.

But, I'm not here to give a speech. This is a sales call. You know these barriers exist otherwise you wouldn't be here.

Here's my pitch:

Improving the economies of Indian and Hawaiian Home Lands is viewed by the Treasury Department as a comprehensive and collaborative undertaking that must involve federal interagency cooperation and public-private initiatives. At the Fund, we have already begun thinking about the additional contributions we can make.

To date, the CDFI Fund has created the Native American CDFI Technical Assistance (NACTA) Program. These technical assistance grants are (i) enabling financial institutions to enhance their capacity to provide access to capital and credit to these communities; and (ii) assisting such communities in establishing their own CDFIs.

These technical assistance grants will now be available through the CDFI Program's Technical Assistance (TA) Component under which we have targeted \$3 million to the Native American Technical Assistance (NATA) Component. So, if you are committed to becoming a CDFI Credit Union:

- Check "pledge to apply for funding."
- Check "CDFI Program/Technical Assistance (TA/NATA)"
- Check "Certification (CDFI)"



Under this grant component, you can apply for a technical assistance grants for a variety of reasons. Louisa Quittman will discuss this at your 3:30 session.

If this were a speech then I would pontificate on how CDFIs address barriers to capital access. I would talk about how CDFIs extend credit and deal with issues concerning the lack of capital, lack of collateral and no known or valid credit histories.

We have certified 635 financial institutions as CDFIs across the country. Of these, there are 117 (18%) credit unions and 20 certified CDFIs that include market areas serving Native American, Alaska Native and Native Hawaiian communities.

But again, this is a sales call and I have a goal to achieve:

Our goal is to obtain 100% coverage of all Native American, Alaskan and Hawaiian Home Lands that can support a certified CDFI by 2007!

We firmly believe that increasing the number of active and effective CDFIs serving Indian reservations will lead to financial products and services that meet the needs of Native Americans and will increase the delivery of financial literacy services offered to this population.

A total of almost \$10 million has been budgeted over the next two years for our Native American Programs. Of this, approximately \$4.5 million is targeted to our new Native American CDFI Development (NACD) Program that is specifically focused on creating new CDFIs, such as credit unions to serve Indian country.

So, if you are committed to helping us establish new CDFIs and you represent tribal governments, community and economic development consultants or training providers then we have money for you:

- Check “pledge to apply for funding.”
- Check “Native American CDFI Development Program (NACD)”

Finally, if you are an existing credit union or financial intermediary and you want financial assistance to expand your services into Indian Country then there is a very valuable source of funding for you – Financial Assistance.

The Financial Assistance (FA) Component can be used to capitalize existing credit unions. This financial assistance, which must be matched dollar-to-dollar, can be used to expand your network with new branch, among other uses.

Here’s what you need to do to apply for Financial Assistance:

- Check “pledge to apply for funding.”
- If you are not a certified CDFI, check “Certification (CDFI)” but please note that you need to submit an application for CDFI Certification by this Friday, March 7, 2003.
- Check “CDFI Program/Financial Assistance Component”

I'd like to strongly encourage you to take this opportunity, in fact, by a show of hands how many of you have completed the Information Request Form? (Have them raise hands to collect or pass down the aisle).

If this was a speech then I would attempt to make some profound statements that would address how the Bush Administration plans to address the economic barriers on Indian lands and Hawaiian Home lands.

I would address the issue of the lack of financial services on or near Indian lands. I would share my personal observations that in spite of the significant efforts underway to address these problems that a huge gap still exists for accessing capital for economic and housing development in Indian country.

But, again, this is not a speech. This is a sales call and I need to know my audience. That's why in another month, I will report back to the Senate Subcommittee on VA, HUD and Independent Agencies the efforts that Fund has undertaken to overcome the perception that lending on Indian Lands and Native Hawaiian Home Lands is risky and how the Fund will address systemic barriers to accessing credit and capital.

To this audience, we will report that the Fund will:

- Address the barriers identified in the Lending Study through our Bank Enterprise Award (BEA) Program which provides incentives for regulated banks and thrifts to invest in Native American, Alaska Native and Native Hawaiian CDFIs and to increase their lending and financial services in distressed communities in Indian Lands and Native Hawaiian Lands. This program recognizes the key role played by traditional financial institutions in community development.
- The Fund believes that one of the best ways to overcome the perception that lending on Indian Lands and Native Hawaiian Home Lands is risky is to introduce a demonstration project.

The Fund intends to introduce a Native American Demonstration Program. It will employ the tools and resources of our Native American CDFI Development Program and our other programs to encourage CDFIs working with community partners including banks, concentrating in one or more particular Indian Lands or Native Hawaiian Home Lands.

The Fund will track the impact of these investments over a five- year period and will use this data to help tribes, financial institutions and federal agencies to develop a systemic approach to economic development. The Demonstration Program will have three goals:

1. Increase financing to businesses and individuals desiring to start or expand businesses on Indian Lands and Native Hawaiian Home Lands;
2. Expand the supply and quality of housing units in Indian Lands and Native Hawaiian Home Lands affordable to the local population and increase home-ownership rates;
3. Expand access to affordable financial services to Native Americans and Native Hawaiians.



By increasing the number and vitality of CDFIs serving Native American and Native Hawaiian communities the Fund believes it will also attract NMTC investments into these communities.

Certified CDFIs may automatically qualify as a CDE and therefore have increased potential to receive an allocation of NMTCs or to attract an investment from another CDE with such an allocation. The first organizations to be awarded allocations under the NMTC Program will be announced in the near future.

In conclusion, since this is not a speech but a sales call, I need to close the transaction.

We want to welcome each of you into the financial services network we call CDFIs. To do this you must become certified by the CDFI Fund and meet the criteria we establish as a community development lender and financial services provider.

The Administration and Congress understands the viable role CDFIs play and therefore have set aside a separate funding source to create and develop CDFIs serving Indian country.

Please complete your Information Request Form so that I can report this sales call as a successful effort for empowering you to help us improve America.